

RatingsDirect®

Summary:

California; Appropriations; General Obligation; Joint Criteria

Primary Credit Analyst:

Gabriel J Petek, CFA, San Francisco (1) 415-371-5042; gabriel.petek@standardandpoors.com

Secondary Contact:

David G Hitchcock, New York (1) 212-438-2022; david.hitchcock@standardandpoors.com

Table Of Contents

Rationale

Current Budgetary Outlook Differs From Those Of Past Expansionary
Phases

Factors That Could Constrain The Rating

The Revised Budget Proposal Reflects An Ongoing Shift Toward A Stronger
Fiscal Structure

Surging Cash Receipts And Strong Revenue Performance Define The
Budget Context

Proposition 111 Asserts Itself

Related Criteria And Research

Summary:

California; Appropriations; General Obligation; Joint Criteria

Credit Profile

California GO

Long Term Rating

A+/Watch Pos

On CreditWatch Positive

Rationale

Standard & Poor's Ratings Services today placed its 'A+' general obligation (GO) and 'A' appropriation-backed debt ratings on California on CreditWatch with positive implications. The CreditWatch placement follows the release on May 14 of Gov. Edmund G. Brown's revised budget proposal for fiscal 2016. Fueled by upward revenue estimates, the budget plan shows the state's fiscal rebound not just continuing, but accelerating. Under the governor's plan, the state would pay down most of a large funding obligation owed to its schools, continue to retire what remains of its budgetary debts, and make significant deposits to its reserve funds. Progress on these fronts, pending agreement from the legislature, would be well ahead of what the Department of Finance (DOF) projected as recently as January.

The revised budget proposal anticipates the state ending fiscal 2016 with reserves of \$4.6 billion (special fund for economic uncertainties -- SFEU -- plus the budget-stabilization account -- BSA). At this level, budget reserves equal 4% of expenditures, which we consider good, and are up from the adequate 3.0% projected in the January budget proposal. Notably, in our view, the "May Revise" also shows the state paying over \$800 million more in budgetary debt than in January. The state's success in reaching these fiscal milestones while still projecting underlying operating balance, including into future years, has led us to reevaluate the near-term trajectory of California's credit quality. We have concluded that, to the extent the enacted budget anticipates fiscal results similar to those shown in the revised proposal, the state's credit quality could be consistent with a higher rating.

We expect to resolve the CreditWatch within three months. Our primary focus will be on the enacted budget and whether it reflects a fiscal structure similar to that of the governor's revised budget proposal. In our view, the governor's revised proposal avoids a disproportionate reliance on windfall-like (nonrecurring) revenues from capital gains to fund ongoing commitments, thus allowing the DOF to forecast budgetary balance beyond fiscal 2016. Insofar as the forecast the DOF produces after the budget is enacted shows the same, we could raise the state's rating, mostly likely by one notch. We expect any potential rating action would follow the DOF's release of the state's projected monthly cash flows, which typically become available within a month of final budget enactment.

California is in the process of illustrating the upside of its tendency for revenue volatility. In contrast to prior upswings, however, this time the state has dedicated much of the extraordinary revenue growth to shoring up its financial position. By eliminating budgetary debts while setting aside funds in its BSA and SFEU, the state enhances its ability to withstand the next downturn. In addition, by channeling higher than previously anticipated revenue growth to these largely one-time uses, the state maintains better ongoing fiscal alignment. A more sustainable fiscal structure is

beneficial to state credit quality, not least because it better positions it to accommodate the escalating pension contribution schedule now in effect. This approach, facilitated in part by passage of Proposition 2 (the state's Rainy Day Fund measure), marks a departure from past practices.

Current Budgetary Outlook Differs From Those Of Past Expansionary Phases

Prior to fiscal 2007, the state's revised budget proposal (released in May 2006) showed increased revenue estimates of \$6.6 billion across the forecast window (which spanned from fiscal 2005 through fiscal 2007). Although the state was able to balance its books for that year, its underlying fiscal structure remained out of alignment. Consequently, notwithstanding strong revenue trends, the DOF projected the return of large deficits. Specifically, it anticipated a \$4.5 billion operating deficit by as soon as the following budget year (fiscal 2008).

Despite a remarkably similar revenue environment in 2015 to that which spanned fiscal 2005 through fiscal 2007 (the revenue forecast was increased by \$6.7 billion in the May budget revision) the state's fiscal outlook is much different. Unlike in 2006, the DOF now projects that under current policies, the general fund budget could remain balanced through fiscal 2018.

By the time fiscal 2016 concludes, California's annual general fund revenues will have increased 15% to \$118 billion (on a gross basis, before any transfers or revenue reductions) since the end of fiscal 2014, according to the DOF's updated forecast. Almost all of any corresponding spending increases during this time would go toward fulfilling constitutional funding requirements under the governor's proposal. In keeping with the governor's recent budget recommendations, the revised proposal for fiscal 2016 shows minimal capacity for adding new discretionary spending initiatives.

Factors That Could Constrain The Rating

It's likely that lawmakers could potentially interpret certain constitutional rules in ways that would free up revenue for additional discretionary spending. Alternatively, they could adjust the timing of when the state repays certain budgetary debts -- effectively pushing them to fiscal 2016 from fiscal 2015. They could also commit to new spending by adopting a budget built on a more bullish revenue outlook. In our view, any additional spending made possible by these types of maneuvers would represent the use of one-time funds or a greater reliance on less predictable tax revenues from capital gains income. More broadly, such an approach could move the state once again in the direction of stretching its fiscal capacity beyond what is realistically sustainable, especially in the event that revenue trends unexpectedly falter.

The Revised Budget Proposal Reflects An Ongoing Shift Toward A Stronger Fiscal Structure

In our view, the governor's proposal, if enacted, would help enhance the state's fiscal flexibility. It makes significant progress toward paying down budgetary liabilities (\$10.4 billion) and in further capitalizing its reserve funds (\$4 billion).

In fact, the sum of these proposed activities (\$14.4 billion) would almost match (at 96%) the total amount of revenue growth (\$15 billion) the state expects during fiscals 2015 and 2016.

We recognize that if the economic expansion were to stall, and particularly if a precipitous stock market decline were to accompany such an event, the state's fiscal outlook would dim. But with the fiscal structure shown in the governor's revised budget proposal, we believe the state could withstand weaker conditions without its fiscal or liquidity positions falling into distress. In November 2014, prior to the recent revenue acceleration, the Legislative Analyst's Office (LAO) modeled the effects of an economic slowdown coupled with a 20% drop in the S&P 500 stock index. Under these conditions, the LAO estimated that the state would experience a \$3.8 billion deficit by fiscal 2017. While not immaterial, a shortfall of that magnitude would be a fraction of the state's prior \$20 billion structural gap. And considering that revenue growth and projected reserve balances have only strengthened since the LAO conducted its stress analysis, the gap under such a scenario would likely now be smaller.

Surging Cash Receipts And Strong Revenue Performance Define The Budget Context

On a cash basis, the DOF reports that, through the end of April, tax receipts were about \$3.2 billion ahead of its January forecast. A portion of the above-forecast cash receipts (\$700 million) accrues to fiscal 2014. But from a budgetary standpoint, most of the higher-than-expected cash receipts will count as revenue attributable to fiscal 2015. The May budget revision raised the fiscal 2015 revenue estimate by \$3.3 billion, a sum that includes the DOF's expected June 2015 tax receipts. This increase is on top of the \$2.6 billion (2.4%) the DOF added to the fiscal 2015 revenue forecast in the governor's initial January budget proposal for fiscal 2016. Looking ahead, the DOF projects that general fund revenues in fiscal 2016 will be \$1.7 billion higher than what it forecasted in January (net of transfers, including \$634 million to the BSA).

Across the three-year forecast window, the DOF shows an aggregate of \$6.7 billion in revenues above what it projected in its January forecast. After accounting for various transfers, including the revenue diverted into the BSA pursuant to Proposition 2, and deducting the cost associated with the governor's proposal for an earned income tax credit program targeting low income workers, there is about \$5.6 billion in additional revenue.

Much of any additional spending capacity from the revenue growth is absorbed by an automatic increase in the education portion of the California budget (referred to in the budget documents as "Proposition 98 Expenditures"). Because much of the revenue surge -- reflected in the January and May forecasts -- accrues to fiscal 2015 from a budgetary standpoint, the education budget for this year alone has been pushed \$5.1 billion above what it was when the fiscal year began. Consequently, even with all the revenue growth, general fund expenditures in fiscal 2016 would increase only modestly, by 0.7% (to \$115.3 billion) from fiscal 2015, under the governor's plan.

Proposition 111 Asserts Itself

California's Constitution, as amended by Proposition 98 in 1988, formulaically determines the minimum amount of funding that goes to the state's kindergarten through community college education system each year. In most years,

the required funding base (called the "minimum guarantee") increases from the prior year as a function of growth in school attendance and per capita personal income in the state (and generally must equal no less than about 40% of general fund revenues). Under certain conditions, Proposition 98's minimum guarantee for education can ratchet up even when the state enters budgetary stress due to a slowdown in revenue growth.

In a preemptive response to the potential for such a scenario, voters in 1990 provided lawmakers with a fiscal outlet when they approved Proposition 111. The measure allows that when general fund revenues weaken, the state can provide less in education funding than the minimum guarantee -- calculated under conventional applications of Proposition 98 formulas -- would otherwise dictate. It also grants authority to the legislature, with a two-thirds vote, to suspend the minimum guarantee outright. Whenever the legislature appropriates less than the minimum guarantee that would result under Proposition 98, however, Proposition 111 mandates that the difference (referred to as "maintenance factor") be made up for later when general fund revenues strengthen -- specifically, when per capita general fund revenue growth begins to outpace per capita income growth. This latter provision has emerged as a defining feature of the 2015-2016 budget process.

Current constraints on the legislature's discretion over how to appropriate above-forecast revenues is a remnant of the 2009-2010 fiscal crisis. When general fund revenues plunged as a result of the recession, the legislature invoked its authority under Proposition 111 to suspend the requirement to fully fund the minimum guarantee. While it's not uncommon for some amount of maintenance factor to be outstanding, the legislature's action in 2009 resulted in the creation of a new large maintenance factor obligation. From fiscal 2008 to 2012 the maintenance factor ballooned to \$10.6 billion from \$1.8 billion. Throughout those years and whenever a funding gap is created or grows -- and until it's closed -- the state experienced budgetary savings.

That's why, in our view, the fiscal effects of Proposition 111 are best appreciated from a multi-year perspective. At the depths of California's fiscal crisis in 2009, the measure allowed lawmakers to avoid making over \$9 billion in appropriations to education that Proposition 98 otherwise would have required. Like a pressure release valve, Proposition 111 provided vital fiscal relief to the state at a time when it faced over \$20 billion in structural operating deficits. As deep as the cuts were to non-education programs throughout the Great Recession, it's likely that even larger reductions would have been necessary absent the provisions of Proposition 111. In effect, Proposition 111 afforded the state with increased budget capacity that it used to fund other non-education related expenditures. Now, with revenue performance on the rebound, other provisions of Proposition 111 call for the restoration of funding to education.

Sometimes this tradeoff gets overlooked by policy advocates and members of the legislature when, amid an economic expansion, Propositions 98 and 111 require that a large majority of any new funds generated by accelerating revenue growth automatically flow to education. This is the situation in which lawmakers find themselves in fiscal 2015 as they observe tax receipts overshoot what the enacted budget and January proposed budget assumed. First, roughly 40% of any new revenue flows to education in accordance with the provisions of Proposition 98. In addition, because there is an outstanding maintenance factor, another 50% or more of any new revenue also goes to education, as required by Proposition 111. The amounts are additive so that in effect, under current conditions, over 90% of any new revenue growth winds up going to education. More precisely, of the \$5.6 billion in new revenue (after certain transfers and

deductions) identified in the revised budget proposal, \$5.5 billion, or 97%, must flow to education. Lawmakers do, however, retain flexibility to decide about the specific uses of the funding within education.

In recent years, the governor and legislature have prudently devoted much of the state's revenue growth to reversing prior education payment deferrals. This has kept the state compliant with its constitutional requirements while simultaneously paying down large budgetary debts. Lawmakers, thus far, have navigated the fiscal tension that can arise between California's constitutional funding requirements and its growing economy in a way that has benefited the state's credit quality, in our view. If the state adheres to a similar approach as it concludes the fiscal 2016 budget process, we may raise its rating.

Related Criteria And Research

Related Criteria

- USPF Criteria: State Ratings Methodology, Jan. 3, 2011
- USPF Criteria: Financial Management Assessment, June 27, 2006
- USPF Criteria: Appropriation-Backed Obligations, June 13, 2007

Related Research

U.S. State And Local Government Credit Conditions Forecast, April 2, 2015

Ratings Detail (As Of May 21, 2015)		
California go adj rate bnds (wkly interest rate) ser 2003 C-3 & C-4		
Long Term Rating	AAA/A-1+	Current
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California go adj rate bnds (wkly interest rate) 2003 B-1 thru B-4		
Long Term Rating	A+/A-1/Watch Pos	On CreditWatch Positive
California taxable various purp GO bnds due 04/01/2020		
Long Term Rating	A+/Watch Pos	On CreditWatch Positive
California tax-exempt GO bnds due 08/01/2034		
Long Term Rating	A+/Watch Pos	On CreditWatch Positive
California tax-exempt GO rfdg bnds due 11/01/2044		
Long Term Rating	A+/Watch Pos	On CreditWatch Positive
California various purpose GO bnds due 05/01/2044		
Long Term Rating	A+/Watch Pos	On CreditWatch Positive
California various purp go bnds dtd 02/01/2004 due 02/01/2005-2029 2033-2034		
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California various purp new money & rfdg GO bnds (Taxable)		
Long Term Rating	A+/Watch Pos	On CreditWatch Positive
California various purp GO bnds		
Long Term Rating	A+/Watch Pos	On CreditWatch Positive
California various purp GO bnds dtd 04/01/2004 due 04/01/2005-2031 2034		
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive

Ratings Detail (As Of May 21, 2015) (cont.)

California various purp GO bnds due 10/01/2044		
Long Term Rating	A+/Watch Pos	On CreditWatch Positive
California various purp GO bnds & GO rfdg bnds dtd 02/01/2007 due 12/01/2007-2029 2032-2036		
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California various purp GO bnds & GO rfdg bnds dtd 02/01/2007 due 12/01/2007-2029 2032-2036		
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California various purp GO rfdg bnds		
Long Term Rating	A+/Watch Pos	On CreditWatch Positive
California various purp GO rfdg bnds due 10/01/2034		
Long Term Rating	A+/Watch Pos	On CreditWatch Positive
California var purp go bnds dtd 05/01/2003 due 02/01/2008-2028 2032 2033		
Long Term Rating	A+/Watch Pos	On CreditWatch Positive
California var purp go bnds dtd 05/01/2003 due 02/01/2008-2028 2032 2033		
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California var purp go bnds dtd 05/01/2003 due 02/01/2008-2028 2032 2033		
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California var purp go bnds dtd 05/01/2003 due 02/01/2008-2028 2032 2033		
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California var purp go bnds dtd 05/01/2003 due 02/01/2008-2028 2032 2033		
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California var purp GO bnds		
Long Term Rating	A+/Watch Pos	On CreditWatch Positive
California var purp GO bnds		
Long Term Rating	A+/Watch Pos	On CreditWatch Positive
California var purp GO bnds		
Long Term Rating	A+/Watch Pos	On CreditWatch Positive
California var purp GO bnds		
Long Term Rating	A+/Watch Pos	On CreditWatch Positive
California var purp GO bnds due 11/01/2043		
Long Term Rating	A+/Watch Pos	On CreditWatch Positive
California var purp GO bnds due 12/01/2043		
Long Term Rating	A+/Watch Pos	On CreditWatch Positive
California var purp GO rfdg bnds		
Long Term Rating	A+/Watch Pos	On CreditWatch Positive
California zero cpn muni issue ser 2004A2 A3 A9 due 05/01/2034		
Long Term Rating	AAA/A-1+	Current
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California zero cpn muni issue ser 2004A2 A3 A9 due 05/01/2034		
Long Term Rating	AAA/A-1+	Current
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive

Ratings Detail (As Of May 21, 2015) (cont.)

California zero cpn muni issue ser 2004A2 A3 A9 due 05/01/2034		
Long Term Rating	AAA/A-1+	Current
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California GO		
Long Term Rating	A+/Watch Pos	On CreditWatch Positive
California GO adj rate bnds (weekly interest rate) ser 2003 C-1 dtd 04/15/2003 due 05/01/2033		
Long Term Rating	AAA/A-1	Current
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California GO bnds		
Long Term Rating	A+/Watch Pos	On CreditWatch Positive
California GO bnds & GO rfdg bnds dtd 11/01/2006 due 10/01/2007-2029 2031 2036		
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California GO bnds (daily interest rate) ser 2003 A-1		
Long Term Rating	AAA/A-1	Current
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California GO bnds (daily interest rate) ser 2003 A-2 & A-3		
Long Term Rating	AAA/A-1	Current
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California GO bnds (Green Bnds) due 10/01/2037		
Long Term Rating	A+/Watch Pos	On CreditWatch Positive
California GO bnds (Sch Facs)		
Long Term Rating	A+/Watch Pos	On CreditWatch Positive
California GO bnds (Stem Cell Research)		
Long Term Rating	A+/Watch Pos	On CreditWatch Positive
California GO bnds (SIFMA index floating rate bnds) ser 2013C due 12/01/2028		
Long Term Rating	A+/Watch Pos	On CreditWatch Positive
California GO bnds (70% of LIBOR index floating rate bnds) ser 2013D due 12/01/2028		
Long Term Rating	A+/Watch Pos	On CreditWatch Positive
California GO rfdg bnds (SIFMA index fltg rate bnds)		
Long Term Rating	A+/Watch Pos	On CreditWatch Positive
California GO rfdg bnds (SIFMA index fltg rate bnds)		
Long Term Rating	A+/Watch Pos	On CreditWatch Positive
California GO VRDB prog		
Long Term Rating	AAA/A-1+	Current
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California GO VRDB prog		
Long Term Rating	AAA/A-1+	Current
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California GO VRDB prog ser 2005B-3		
Long Term Rating	AAA/A-1/Watch Neg	Current
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive

Ratings Detail (As Of May 21, 2015) (cont.)

California GO VRDB prog ser 2005B-5		
Long Term Rating	AAA/A-1/Watch Neg	Current
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California GO VRDB prog ser 2005B-5		
Long Term Rating	AAA/A-1/Watch Neg	Current
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California GO VRDB prog ser 2005 A-1-1 dtd 11/17/2005 due 05/01/2040		
Long Term Rating	AAA/A-1+	Current
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California GO VRDB prog ser 2005 A-2-1		
Long Term Rating	AAA/A-1/Watch Neg	Current
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California GO VRDB prog ser 2005 A-3 dtd 11/17/2005 due 05/01/2040		
Long Term Rating	AAA/A-1	Current
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California GO VRDB prog ser 2005 B-1		
Long Term Rating	AAA/A-1	Current
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California GO VRDB prog ser 2005 B-2 dtd 11/17/2005 due 05/01/2040		
Long Term Rating	AAA/A-1	Current
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California GO VRDB prog ser 2005 B-4 dtd 11/17/2005 due 05/01/2040		
Long Term Rating	AAA/A-1	Current
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California GO VRDB prog ser 2005 B-7 due 05/01/2040		
Long Term Rating	AAA/A-1	Current
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California GO (wrap of insured) (AMBAC & AGM) (SEC MKT)		
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California GO (wrap of insured) (AMBAC & BHAC) (SEC MKT)		
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California GO (wrap of insured) (AMBAC) (ASSURED GTY) (SEC MKT)		
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California GO (wrap of insured) (FGIC & AGM) (SEC MKT)		
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California GO (wrap of insured) (FGIC & BHAC) (SEC MKT)		
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California GO (wrap of insured) (MBIA) (National) (AGM) (SEC MKT)		
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California GO (wrap of insured) (MBIA) (National) (ASSURED GTY) (SEC MKT)		
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive

Ratings Detail (As Of May 21, 2015) (cont.)

California GO (wrap of insured) (SYNCORA GTY) (BHAC - SEC MKT)		
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California GO (AGM)		
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California GO (AMBAC)		
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California GO (ASSURED GTY)		
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California GO (ASSURED GTY) (SEC MKT)		
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California GO (BAM)		
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California GO (BHAC) (SEC MKT)		
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California GO (CIFG Assurance)		
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California GO (FGIC) (National)		
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California GO (MBIA) (National)		
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California GO (MBIA) (National) (SEC MKT)		
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California GO (MBIA) (National) (SEC MKT)		
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California GO (Syncora Gty)		
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California VRDB (Kindergarten-Univ Pub Ed Fac proj) ser 2004 A-1		
Long Term Rating	AAA/A-1	Current
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California (Kindergarten-Univ Pub Ed Fac proj) VRDO ser 2004 A-5		
Long Term Rating	AAA/A-1	Current
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California (Kindergarten-Univ Pub Ed Fac) VRDO ser 2004B1-B4		
Long Term Rating	AAA/A-1	Current
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California (Kindergarten-Univ Pub Ed Fac) VRDO ser 2004 A - 6		
Long Term Rating	AAA/A-1	Current
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California (Kindergarten-Univ Pub Ed Fac) VRDO ser 2004 A-7		
Long Term Rating	AAA/A-1	Current

Ratings Detail (As Of May 21, 2015) (cont.)		
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California (Kindergarten-Univ Pub Ed Fac) VRDO ser 2004 A-8		
Long Term Rating	AAA/A-1	Current
Unenhanced Rating	A+(SPUR)/Watch Pos	Downgraded, On CreditWatch Positive
California (Kindergarten-Univ Pub Ed Fac) VRDOser 2004 A-4		
Long Term Rating	AAA/A-1	Current
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California (Kindergarten-Univ Pub Ed Fac) VRDO ser 2004 A-10		
Long Term Rating	AAA/A-1	Current
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
California (Kindergarten-Univ Pub Fac) VRDO ser 2004B-5&B-6		
Long Term Rating	AAA/A-1+	Current
Unenhanced Rating	A+(SPUR)/Watch Pos	On CreditWatch Positive
Bay Area Infrastructure Fincg Auth, California		
California		
Bay Area Infrastructure Fincg Auth (California) st pymt acceleration nts (MBIA) (MBIA of Illinois)		
Unenhanced Rating	A(SPUR)/Watch Pos	On CreditWatch Positive
Bay Area Infrastructure Fincg Auth (California) st pymt acceleration nts (Syncora Guarantee)		
Unenhanced Rating	A(SPUR)/Watch Pos	On CreditWatch Positive
California Dept of Transportation, California		
California		
California Dept of Transportation (California) rfdg certs of part (East Bay St Bldg Auth) ser 1997A (MBIA) (National)		
Unenhanced Rating	A(SPUR)/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd, California		
California		
California State Pub Wks Brd lse (Dept of Corrections) (AMBAC) (SEC MKT)		
Unenhanced Rating	A(SPUR)/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (Library & Courts Annex Bldg Complex) (AMBAC)		
Unenhanced Rating	A(SPUR)/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev bnds		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev bnds		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev bnds		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev bnds		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev bnds		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev bnds		
Long Term Rating	A/Watch Pos	On CreditWatch Positive

Ratings Detail (As Of May 21, 2015) (cont.)		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev bnds ser 1997C		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
Unenhanced Rating	NR(SPUR)	
California State Pub Wks Brd (California) lse rev bnds (taxable) (California) (Renovation Of Atacadero State Hospital Add.) ser 2011F due 12/01/2021		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev bnds (taxable) (California) (Various Capital Projects) ser 2011E due 12/01/2021		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev bnds (tax-exempt) (Trustees of The California State Univ)		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev bnds (tax-exempt)(Dept. Of Corrections And Rehabilitation)		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev bnds (tax-exempt)(Various Departments)		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev bnds (California Comnty Coll - Var Cmnty Coll Projs) (MBIA) (MBIA of Illinois)		
Unenhanced Rating	A(SPUR)/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev bnds (California St Univ Trustees Var Projs) ser 1997C dtd 10/01/1997 due 10/01/1998-2017 2022		
Unenhanced Rating	A(SPUR)/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev bnds (California St Univ Trustees-Var California St Univ Projs) lse 2006A (MBIA) (MBIA of Illinois)		
Unenhanced Rating	A(SPUR)/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev bnds (California) ser 2012G due 11/01/2032		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev bnds (California) ser 2013F due 09/01/2033		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev bnds (California) ser 2013G due 09/01/2033		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev bnds (California) ser 2013H due 09/01/2038		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev bnds (California) (California State Univ: Various Bldgs) ser 2012E due 09/01/2037		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev bnds (California) (Los Banos Courthouse) ser 2015B due 06/01/2040		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev bnds (California) (Solano Jail) ser 2015A due 06/01/2030		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev bnds (California) (Stanislaus Juv Fac) ser 2013B due 03/01/2028		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev bnds (California) (Various California State University Projs) ser 2012D due 09/01/2037		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev bnds (California) (Various Capital Projects) ser 2014E due 09/01/2039		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev bnds (California) (Various Correctional Facs) ser 2014D due 09/01/2029		

Ratings Detail (As Of May 21, 2015) (cont.)

Long Term Rating	A/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev bnds (California) (Various Judicial Council Projects) ser 2011D due 12/01/2031		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev bnds (California) (Various Judicial Counsel Projs) ser 2013A due 03/01/2038		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev bnds (CA Comnty Coll-Various Comnty Coll Projs) ser 2004 B		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev bnds (Var Depts & Var Projs)		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev bnds (Var Depts & Var Projs) (MBIA) (MBIA of Illinois)		
Unenhanced Rating	A(SPUR)/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev bnds (Var Depts & Var Projs) (AGM)		
Unenhanced Rating	A(SPUR)/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev bnds (Var Depts & Var Projs) (MBIA of Illinois)		
Unenhanced Rating	A(SPUR)/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev bnds (Var Depts & Var Projs) (Syncora Gty)		
Unenhanced Rating	A(SPUR)/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev bnds (Var Dept & Var Projs) (AMBAC)		
Unenhanced Rating	A(SPUR)/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev rfdg bnds		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev rfdg bnds		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev rfdg bnds		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev rfdg bnds (California) ser 2014G due 01/01/2021		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev rfdg bnds (California) (Centinela And Calipatria State Prisons) ser 2015E due 09/01/2021		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev rfdg bnds (California) (Hospital Addition At Atascadero St Hosp) ser 2014I due 12/01/2026		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev rfdg bnds (California) (Kern Valley State Prison) ser 2015D due 06/01/2025		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev rfdg bnds (California) (Pleasant Valley State Prison) ser 2014F due 09/01/2019		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev rfdg bnds (California) (Valley State Prison) ser 2015C due 06/01/2019		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev rfdg bnds (California) (Various Capital Projects) ser 2014H due 12/01/2026		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev rfdg bnds (Corrections And Rehab)		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev rfdg bnds (Substance Fac & St Prison Corcoran II) ser 2005 J dtd 11/01/2005 due 01/01/2007-2011 2014		

Ratings Detail (As Of May 21, 2015) (cont.)		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev ser 2012G (AGM)		
Unenhanced Rating	A(SPUR)/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev (Trustees Of The CA St Univ) ser 2006B (AGM)		
Unenhanced Rating	A(SPUR)/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse rev (Various Cap Projs) ser 2009 I (AGM)		
Unenhanced Rating	A(SPUR)/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse (Dept of Mental Hlth-Coalinga St Hosp) ser 2004 A (ASSURED GTY) (SEC MKT)		
Unenhanced Rating	A(SPUR)/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse (AGM)		
Unenhanced Rating	A(SPUR)/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) lse (Calif Comnty Coll - Various Comnty Coll Proj) 2005E(wrap of insured) (FGIC & BHAC) (SEC MKT)		
Unenhanced Rating	A(SPUR)/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California) LRBs (Trustees of the CA St Univ) (Vari California St Univ Projs) ser 2010B-1		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd, California		
California Comnty Coll Dists, California		
California State Pub Wks Brd lse (California Comnty Coll Dists) ser 1999A (MBIA) (SEC MKT) (MBIA of Illinois)		
Unenhanced Rating	A(SPUR)/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd lse (Comnty Coll Dists-Var Projs) ser 1998A (MBIA) (SEC MKT) (MBIA of Illinois)		
Unenhanced Rating	A(SPUR)/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd (California Comnty Coll Dists-Var Projs) lse 1999B (MBIA of Illinois)		
Unenhanced Rating	A(SPUR)/Watch Pos	On CreditWatch Positive
California St Pub Wks Brd (California Comnty Coll Dist) lse ser 91A rfdg lse ser 96C 98C		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd, California		
California St Univ Trustees, California		
California State Pub Wks Brd approps (MBIA) (National) (SEC MKT)		
Unenhanced Rating	A(SPUR)/Watch Pos	On CreditWatch Positive
California State Pub Wks Brd lse (Var Proj) ser 1997B (MBIA) (National) (Sec Mkt)		
Unenhanced Rating	A(SPUR)/Watch Pos	On CreditWatch Positive
California St Pub Wks Brd (California St Univ Trustees Projs) lse ser 94A rfdg lse ser 98A		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California St Pub Wks Brd (California St Univ Trustees Var Projs) lse ser 90A rfdg lse ser 97B		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California St Pub Wks Brd (California St Univ Trustees Var Projs) lse ser 93A		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
California St Pub Wks Brd (California St Univ Trustees) lse rev ser 95A rfdg lse ser 98B		
Long Term Rating	A/Watch Pos	On CreditWatch Positive
Golden State Tobacco Securitization Corp, California		
California		
Golden State Tobacco Securitization Corp (California) enhanced tobacco settlement		
Long Term Rating	A/Watch Pos	On CreditWatch Positive

Ratings Detail (As Of May 21, 2015) (cont.)

Golden State Tobacco Securitization Corp (California) enhanced tobacco settlement asset backed bnds (California)		
<i>Long Term Rating</i>	A/Watch Pos	On CreditWatch Positive
Golden State Tobacco Securitization Corp (California) enhanced tobacco settlement asset-backed bnds ser 2005A (AGM)		
<i>Unenhanced Rating</i>	A(SPUR)/Watch Pos	On CreditWatch Positive
Golden State Tobacco Securitization Corp (California) enhanced tobacco settlement asset-backed bnds ser 2005A (AMBAC)		
<i>Unenhanced Rating</i>	A(SPUR)/Watch Pos	On CreditWatch Positive
Golden State Tobacco Securitization Corp (California) enhanced tobacco settlement asset-backed bnds (wrap of insured) (FGIC & ASSURED GTY) (SEC MKT)		
<i>Unenhanced Rating</i>	A(SPUR)/Watch Pos	On CreditWatch Positive
Golden State Tobacco Securitization Corp (California) enhanced tobacco settlement asset-backed bnds (California) ser 2005A dtd 8/4/2005 due 6/1/2007-2		
<i>Unenhanced Rating</i>	A(SPUR)/Watch Pos	On CreditWatch Positive
Golden State Tobacco Securitization Corp (California) enhanced tobacco settlement asset-backed bnds (California) ser 2015A due 06/01/2045		
<i>Long Term Rating</i>	A/Watch Pos	On CreditWatch Positive
Golden State Tobacco Securitization Corp (California) enhanced tobacco settlement asset-backed bnds 2005A		
<i>Unenhanced Rating</i>	A(SPUR)/Watch Pos	On CreditWatch Positive
Golden State Tobacco Securitization Corp (California) enhanced tobacco settlement asset-backed bnds 2005A (wrap of insured) (AMBAC & BHAC) (SEC MKT)		
<i>Unenhanced Rating</i>	A(SPUR)/Watch Pos	On CreditWatch Positive
Golden State Tobacco Securitization Corp (California) enhanced tobacco settlement asset-backed bnds 2005A (wrap of insured) (FGIC & AGM) (SEC MKT)		
<i>Unenhanced Rating</i>	A(SPUR)/Watch Pos	On CreditWatch Positive
Golden State Tobacco Securitization Corp (California) enhanced tobacco settlement asset-backed bnds 2005A (wrap of insured) (FGIC & BHAC) (SEC MKT)		
<i>Unenhanced Rating</i>	A(SPUR)/Watch Pos	On CreditWatch Positive
Golden State Tobacco Securitization Corp (California) enhanced tobacco settlement asset-backed ser 2005A (wrap of insured) (AMBAC & AGM) (SEC MKT)		
<i>Unenhanced Rating</i>	A(SPUR)/Watch Pos	On CreditWatch Positive
Golden State Tobacco Securitization Corp (California) enhanced tobacco settlement asset-backed ser 2005A (wrap of insured) (AMBAC & AGM) (SEC MKT)		
<i>Unenhanced Rating</i>	A(SPUR)/Watch Pos	On CreditWatch Positive
Golden State Tobacco Securitization Corp (California) GO asset-backed ser 2005A (BHAC) (SEC MKT)		
<i>Unenhanced Rating</i>	A(SPUR)/Watch Pos	On CreditWatch Positive
Golden State Tobacco Securitization Corp (California) (AGM) (SEC MKT)		
<i>Unenhanced Rating</i>	A(SPUR)/Watch Pos	On CreditWatch Positive
Golden St Tobacco Securitization Corp (California) (ASSURED GTY) (SEC MKT)		
<i>Unenhanced Rating</i>	A(SPUR)/Watch Pos	Affirmed

Los Angeles St Bldg Auth, California

California

Los Angeles St Bldg Auth lse rev bnds (CA St Dept of Gen Svcs) ser 1999A (MBIA) (National)

Unenhanced Rating A(SPUR)/Watch Pos On CreditWatch Positive

Los Angeles St Bldg Auth (California St Dept of Gen Svcs) lse ser 93A rfdg lse ser 95A

Long Term Rating A/Watch Pos On CreditWatch Positive**Oakland St Bldg Auth, California**

California

Ratings Detail (As Of May 21, 2015) (cont.)

Oakland St Bldg Auth (California) lse rev bnds (Elihu M. Harris St Office Bldg) ser 1998A dtd 03/01/1998 due 04/01/2001-2017 2023 (AMBAC)

Unenhanced Rating A(SPUR)/Watch Pos On CreditWatch Positive

Riverside Cnty Pub Fing Auth, California

California

Riverside Cnty Pub Fing Auth (California) 1997 lse rev bnds dtd 11/01/1997 due 10/01/2002-2012 2017 2022

Unenhanced Rating A(SPUR)/Watch Pos On CreditWatch Positive

Sacramento City Fincg Auth, California

California

Sacramento City Fincg Auth lse rev rfdg bnds (California) (Cal Environmental Protection Agency Building)

Long Term Rating A/Watch Pos On CreditWatch Positive

San Bernardino Jt Pwrs Fin Auth, California

California

San Bernardino Jt Pwrs Fin Auth (California Dept Of Transp) lse rev ser 1995A

Long Term Rating A/Watch Pos On CreditWatch Positive

San Francisco St Bldg Auth, California

California

San Francisco St Bldg Auth lse (California) (San Francisco Civic Ctr Complex) (FGIC) (National)

Unenhanced Rating A(SPUR)/Watch Pos On CreditWatch Positive

Shafter Jt Pwrs Fing Auth , California

California

Shafter Jt Pwrs Fing Auth lse rev bnds (Comnty Correctional Fac Acq Proj) ser 1997A

Long Term Rating A/Watch Pos On CreditWatch Positive

Taft Pub Fincg Auth, California

California

Taft Pub Fincg Auth (California) lse rev rfdg bnds, 2009 series (Community Correctional fac) (California) due 01/01/2017

Long Term Rating A/Watch Pos On CreditWatch Positive

Taft Pub Fing Auth lse rev bnds (Comnty Correctional Fac Acq Proj) ser 1997A

Long Term Rating A/Watch Pos On CreditWatch Positive

Many issues are enhanced by bond insurance.

Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

Copyright © 2015 Standard & Poor's Financial Services LLC, a part of McGraw Hill Financial. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription) and www.spcapitaliq.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.